

Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State Capitol Building  
State of Hawaii  
308

Hearing: April 1, 2008 at 3:30 p.m.; Room

Re: HB 2365 (Proposed HD1) --- Relating to Transportation

Dear Chair Oshiro and Honorable Committee Members:

Our names are Aaron Medina and Garrick Higuchi and we are Vice-Presidents for Catrala-Hawaii. Catrala's membership consists of the major u-drive companies in Hawaii and the many businesses which support our industry. A majority of the u-drive/car rental members on Catrala's Board supports this bill. Such Board members are: Avis Rent A Car, Budget Rent A Car, Dollar Rent A Car, Thrifty Rent A Car and Hertz Rent A Car. The DOT also supports this bill which Catrala believes is in the best interest for the residents and millions of tourists visiting Hawaii each year.

Thank You --- We thank your Committee and the House of Representatives for considering this important bill and keeping it alive for further discussion. A similar issue bill (HB 2952) was passed by this Committee and the House of Representatives. Joint Senate Committees revised the bill and provided language for HB 509, SD1. Unfortunately it appears that due to the bill's broad title, the Senate Ways and Means Committee deleted all of the CFC language from HB 509 and replaced it with language providing for relief to Aloha Airlines.

No Cost to State; Better Facilities and Services: Catrala supports this bill and believes it is a very important measure that will result in better u-drive services and facilities to local residents and the millions of tourists who visit Hawaii each year. In spite of about \$40 million in airport concession fees paid to DOT's Airport Division each year, such facilities and services would be provided at no cost to the State since revenues would be paid by renters via collection of a CFC fee. Many airports across the U.S. have common u-drive facilities shared by car-rental companies and paid for by such fees. Some of you have probably picked up your car at such a facility during your recent travels. Like such many airports, Hawaii's common facilities and services for u-drives would be funded by CFC fees paid by renters who benefit from CFC facilities and services provided at Hawaii's public airports.

U-drives Left Out of Airport Planning; CFC Funding Would Allow Planning, Projects and Services.

As you know various airport improvements are being planned and good available space is becoming scarce with each passing year. Better u-drive facilities and services for u-drives are not being planned due to other priority projects and the DOT's desire to keep landing fees as low as possible. Thus, in spite of payments in excess of \$40 million a year being paid by u-drives as concession fees to the State needed and necessary improvements and services for u-drive concession operators are not being provided.

It is obvious that needed facilities and improvements will not take place without the passage of this bill allowing for the funding of services and projects via the collection of CFC charges. This is no different than at many major airports across the United States. As an example at the Kahalui Airport, a common-shared storage lot is in dire need of repairs due to rental vehicles being flooded, under carriage of vehicles damaged and employees suffering workers compensation injuries. Periodic and cosmetic fixes by the DOT is simply not working and long-overdue permanent improvements need to be made.

To address the needs for better facilities and services and so Hawaii's airports can be like many other public airports across the U.S., this bill was introduced by Catrala following discussions with DOT's Airport Division. DOT supports this bill. This bill will provide DOT with the necessary additional funds to plan and provide better u-drive services and facilities to local residents and visitors similar to other major airports across the U.S.

Catrala is recommending further changes to this proposed bill based on the latest discussions supported by a majority of the industry members and the DOT. Catrala recently submitted suggested language to this Committee for consideration. The suggested changes are in the following areas:

1. Section 2 of bill, Section 261-\_\_\_(b)(5). Last sentence beginning with words "No moneys..." was revised for clarification purposes.
2. Section 6 of the bill, new paragraph (h) beginning with words "(h) The department..." This underlined section (h) with supporting paragraphs was revised to provide flexibility as to the collections by the department and to clarify the department's discretion to fairly set and collect such charges from u-drive customers who benefit from facility and services paid for by such charges regardless as to the location of such a car rental operation.
3. Section 8 of the bill, sets an initial charge of \$1.00 per day up to a maximum of \$25,000,000 for purposes of the special fund. Note: Such immediate collection will jump start the collection of funds, the general planning and design of projects plus an improvement project needing immediate attention. Depending on costs of projects approved by legislature, the department in the future may increase the \$1.00 per day charge to pay for such projects.
4. Section 9 of the bill, provides for the expenditure of \$7,000,000 for fiscal year 2008-2009 from a special fund account into which such charges are to be deposited. Note: This will allow planning to start immediately along with some improvements at the Kahalui airport.
5. Section 11 of the bill, provides for the effective date of July 1, 2008.
6. Further clarifying changes in keeping with the purpose and intent of the bill.

Closing. In closing we urge you to pass this bill and keep this important measure alive. This proposed bill with Catrala's suggested changes represents the majority views of the industry and the DOT at this time. It would be preferable for the Conferees to this bill to deliberate on the latest thoughts and ideas of the DOT and the majority of the industry members on Catrala's Board.

Thank you for allowing us to testify. Please pass this important bill so discussion may continue to take place. There is no reason to delay the passage of this bill. Planning and necessary improvements should take place immediately.

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# A BILL FOR AN ACT

RELATING TO TRANSPORTATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Airports throughout the United States have  
2 renovated, reconfigured, and relocated rental motor vehicle  
3 customer facilities as an appropriate means of efficiently and  
4 effectively dealing with increased demands for space. Many, if  
5 not most, of these airports commonly use the collection of a  
6 rental motor vehicle customer facility charge to finance the  
7 renovation, construction, operation, and maintenance of rental  
8 motor vehicle customer facilities and pay for associated shuttle  
9 bus systems to transport passengers to and from these rental  
10 motor vehicle customer facilities without adversely affecting  
11 general airport funds.

12           Further, the legislature finds that concessionaires,  
13 including rental motor vehicle companies, have historically  
14 contributed about 50 per cent or more of Hawaii's airport  
15 revenues by way of concession rental payments. Such revenues  
16 have typically been used primarily to pay for improvements for  
17 airlines as well as some improvements for airport concessions.



1 It is not the intent of the legislature to preclude the use of  
2 such revenues for facility improvements and other support for  
3 rental motor vehicle concessions at public airports by the  
4 passage of this Act. Given the future expenditure plans and  
5 present shortage of airport revenues for facility and other  
6 improvements, it is the intent of the legislature to expedite  
7 the provision of needed rental motor vehicle customer facilities  
8 that can better serve Hawaii's visitors and residents.

9 The purpose of this Act is to provide the department of  
10 transportation with the authority to establish and collect a  
11 rental motor vehicle customer facility charge and use the  
12 revenues collected for the renovation and development of rental  
13 motor vehicle customer facilities, including, without  
14 limitation, acquisition of property or property rights;  
15 acquisition of equipment for and operation of a unified shuttle  
16 bus system to and from passenger terminals and rental motor  
17 vehicle customer facilities; and design, construction,  
18 renovation, operation, and maintenance of the rental motor  
19 vehicle customer facilities.

20 SECTION 2. Chapter 261, Hawaii Revised Statutes, is  
21 amended by adding a new section to be appropriately designated  
22 and to read as follows:

1        "§261-        Rental motor vehicle customer facility charge

2 special fund. (a) There is established in the state treasury

3 the rental motor vehicle customer facility charge special fund

4 to be administered by the director, into which shall be

5 deposited all proceeds from the rental motor vehicle customer

6 facility charge.

7        (b) Moneys in the rental motor vehicle customer facility

8 charge special fund shall be used for enhancement, renovation,

9 operation, and maintenance of existing rental motor vehicle

10 customer facilities and the development of new rental motor

11 vehicle customer facilities at state airports, including:

12        (1) Acquisition and maintenance of property or property

13        rights for rental motor vehicle purposes;

14        (2) Acquisition of equipment for and operation of a

15        unified shuttle bus system to and from passenger

16        terminals and the rental motor vehicle facilities;

17        (3) Consultant fees;

18        (4) Management, operation, and maintenance fees for rental

19        motor vehicle facilities and related services; and

20        (5) Design, construction, operation, and maintenance of,

21        or allocable to, the approved rental motor vehicle

22        customer facilities.

1 In planning the future needs and expenditures of such moneys,  
2 the director, or deputy designated by the director, shall, at  
3 least once a year, consult with lessors, as defined in section  
4 437D-3, who are using or who in the future may use the  
5 facilities and services. No moneys may be expended for any type  
6 of enhancement, construction, or improvement to any existing  
7 rental motor vehicle facility at a state airport as of July 1,  
8 2008, until concession bids for such concessions are first  
9 advertised, bid upon, and awarded by the department; provided  
10 that and notwithstanding the foregoing, moneys may be expended  
11 to plan, design, improve, enhance, acquire or construct rental  
12 motor vehicle customer facilities, equipment and services shared  
13 or to be shared by rental motor vehicle concessions at a state  
14 airport as determined by the director.

15 (c) The rental motor vehicle customer facility charge  
16 special fund shall be exempt from sections 36-30 and 103-8.5."

17 SECTION 3. Section 36-30, Hawaii Revised Statutes, is  
18 amended by amending subsection (a) to read as follows:

19 "(a) Each special fund, except the:

20 (1) Transportation use special fund established by section  
21 261D-1;

- 1 (2) Special out-of-school time instructional program fund
- 2 under section 302A-1310;
- 3 (3) School cafeteria special funds of the department of
- 4 education;
- 5 (4) Special funds of the University of Hawaii;
- 6 (5) State educational facilities improvement special fund;
- 7 (6) Special funds established by section 206E-6;
- 8 (7) Aloha Tower fund created by section 206J-17;
- 9 (8) Funds of the employees' retirement system created by
- 10 section 88-109;
- 11 (9) Unemployment compensation fund established under
- 12 section 383-121;
- 13 (10) Hawaii hurricane relief fund established under chapter
- 14 431P;
- 15 (11) Convention center enterprise special fund established
- 16 under section 201B-8;
- 17 (12) Hawaii health systems corporation special funds and
- 18 the subaccounts of its regional system boards;
- 19 (13) Tourism special fund established under section
- 20 201B-11;
- 21 (14) Universal service fund established under chapter 269;

- 1 (15) Emergency and budget reserve fund under section  
2 328L-3;
- 3 (16) Public schools special fees and charges fund under  
4 section 302A-1130(f);
- 5 (17) Sport fish special fund under section 187A-9.5;
- 6 (18) Neurotrauma special fund under section 321H-4;
- 7 (19) Center for nursing special fund under section 304A-  
8 2163;
- 9 (20) Passenger facility charge special fund established by  
10 section 261-5.5;
- 11 (21) Court interpreting services revolving fund under  
12 section 607-1.5;
- 13 (22) Trauma system special fund under section 321-22.5;
- 14 (23) Hawaii cancer research special fund;
- 15 (24) Community health centers special fund; [and]
- 16 (25) Emergency medical services special fund; and
- 17 (26) Rental motor vehicle customer facility charge special  
18 fund established under section 261-\_\_\_\_\_,
- 19 shall be responsible for its pro rata share of the  
20 administrative expenses incurred by the department responsible  
21 for the operations supported by the special fund concerned."

1 SECTION 4. Section 103-8.5, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3 "(a) There is created a works of art special fund, into  
4 which shall be transferred one per cent of all state fund  
5 appropriations for capital improvements designated for the  
6 construction cost element; provided that this transfer shall  
7 apply only to capital improvement appropriations that are  
8 designated for the construction or renovation of state  
9 buildings. The one per cent transfer requirement shall not  
10 apply to appropriations from the passenger facility charge  
11 special fund established by section 261-5.5~~[-]~~ and the rental  
12 motor vehicle customer facility charge special fund established  
13 by section 261-\_\_\_\_\_."

14 SECTION 5. Section 261-5, Hawaii Revised Statutes, is  
15 amended by amending subsection (a) to read as follows:

16 "(a) Except for ~~[that]~~ :

17 (1) That portion of the payments received by the  
18 department under a contract entered into as authorized  
19 by section 261-7 and deposited in the transportation  
20 use special fund pursuant to section 261D-1~~[-, and~~  
21 ~~except for all]~~ ;

1        (2) All proceeds from the passenger facility charge and  
2        deposited in the passenger facility charge special  
3        fund [7]; and

4        (3) All proceeds from the rental motor vehicle customer  
5        facility charge and deposited in the rental motor  
6        vehicle customer facility charge special fund,

7 all moneys received by the department from rents, fees, and  
8 other charges collected pursuant to this chapter, as well as all  
9 aviation fuel taxes paid pursuant to section 243-4(a)(2), shall  
10 be paid into the airport revenue fund created by section 248-8.

11        All moneys paid into the airport revenue fund shall be  
12 appropriated, applied, or expended by the department for any  
13 purpose within the jurisdiction, powers, duties, and functions  
14 of the department related to the statewide system of airports,  
15 including, without limitation, the costs of operation,  
16 maintenance, and repair of the statewide system of airports and  
17 reserves therefor, and acquisitions (including real property and  
18 interests therein), constructions, additions, expansions,  
19 improvements, renewals, replacements, reconstruction,  
20 engineering, investigation, and planning for the statewide  
21 system of airports, all or any of which in the judgment of the  
22 department are necessary to the performance of its duties or

1 functions. The department shall generate sufficient revenues  
2 from its airport properties to meet all of the expenditures of  
3 the statewide system of airports and to comply with section 39-  
4 61; provided that as long as sufficient revenues are generated  
5 to meet such expenditures, the director of transportation may,  
6 in the director's discretion, grant a rebate of the aviation  
7 fuel taxes paid into the airport revenue fund during a fiscal  
8 year pursuant to sections 243-4(a)(2) and 248-8 to any person  
9 who has paid airport use charges or landing fees during such  
10 fiscal year. Such rebate may be granted during the next  
11 succeeding fiscal year but shall not exceed one-half cent per  
12 gallon per person, and shall be computed on the total number of  
13 gallons for which the tax was paid by such person, for such  
14 fiscal year."

15 SECTION 6. Section 261-7, Hawaii Revised Statutes, is  
16 amended to read as follows:

17 **"§261-7 Operation and use privileges.** (a) In operating  
18 an airport or air navigation facility owned or controlled by the  
19 department of transportation, or in which it has a right or  
20 interest, the department may enter into contracts, leases,  
21 licenses, and other arrangements with any person:



- 1 (1) Granting the privilege of using or improving the  
2 airport or air navigation facility or any portion or  
3 facility thereof or space therein for commercial  
4 purposes;
- 5 (2) Conferring the privilege of supplying goods,  
6 commodities, things, services, or facilities at the  
7 airport or air navigation facility;
- 8 (3) Making available services, facilities, goods,  
9 commodities, or other things to be furnished by the  
10 department or its agents at the airport or air  
11 navigation facility; or
- 12 (4) Granting the use and occupancy on a temporary basis by  
13 license or otherwise any portion of the land under its  
14 jurisdiction which for the time being may not be  
15 required by the department so that it may put the area  
16 to economic use and thereby derive revenue therefrom.

17 All the arrangements shall contain a clause that the land  
18 may be repossessed by the department when needed for aeronautics  
19 purposes upon giving the tenant temporarily occupying the same  
20 not less than thirty days' notice in writing of intention to  
21 repossess.

1           (b) Except as otherwise provided in this section, in each  
2 case mentioned in subsection (a) (1), (2), (3), and (4), the  
3 department may establish the terms and conditions of the  
4 contract, lease, license, or other arrangement, and may fix the  
5 charges, rentals, or fees for the privileges, services, or  
6 things granted, conferred, or made available, for the purpose of  
7 meeting the expenditures of the statewide system of airports set  
8 forth in section 261-5(a), which includes expenditures for  
9 capital improvement projects approved by the legislature. Such  
10 charges shall be reasonable and uniform for the same class of  
11 privilege, service, or thing.

12           (c) The department shall enter into a contract with no  
13 more than one person ("contractor") for the sale and delivery of  
14 in-bond merchandise at Honolulu International Airport, in the  
15 manner provided by law. The contract shall confer the right to  
16 operate and maintain commercial facilities within the airport  
17 for the sale of in-bond merchandise and the right to deliver to  
18 the airport in-bond merchandise for sale to departing foreign-  
19 bound passengers.

20           The department shall grant the contract pursuant to the  
21 laws of this State and may take into consideration:

1 (1) The payment to be made on in-bond merchandise sold at  
2 Honolulu International Airport and on in-bond  
3 merchandise displayed or sold elsewhere in the [State]  
4 state and delivered to the airport;

5 (2) The ability of the applicant to comply with all  
6 federal and state rules and regulations concerning the  
7 sale and delivery of in-bond merchandise; and

8 (3) The reputation, experience, and financial capability  
9 of the applicant.

10 The department shall actively supervise the operation of  
11 the contractor to [~~insure~~] ensure its effectiveness. The  
12 department shall develop and implement such guidelines as it may  
13 find necessary and proper to actively supervise the operations  
14 of the contractor, and shall include guidelines relating to the  
15 department's review of the reasonableness of contractor's price  
16 schedules, quality of merchandise, merchandise assortment,  
17 operations, and service to customers.

18 Apart from the contract described in this subsection, the  
19 department shall confer no right upon nor suffer nor allow any  
20 person to offer to sell, sell, or deliver in-bond merchandise at  
21 Honolulu International Airport; provided that this section shall

1 not prohibit the delivery of in-bond merchandise as cargo to the  
2 Honolulu International Airport.

3 (d) The department, by contract, lease, or other  
4 arrangement, upon a consideration fixed by it, may grant to any  
5 qualified person the privilege of operating, as agent of the  
6 State or otherwise, any airport owned or controlled by the  
7 department; provided that no such person shall be granted any  
8 authority to operate the airport other than as a public airport  
9 or to enter into any contracts, leases, or other arrangements in  
10 connection with the operation of the airport which the  
11 department might not have undertaken under subsection (a).

12 (e) The department may fix and regulate, from time to  
13 time, reasonable landing fees for aircraft, including the  
14 imposition of landing surcharges or differential landing fees,  
15 and other reasonable charges for the use and enjoyment of the  
16 airports and the services and facilities furnished by the  
17 department in connection therewith, including the establishment  
18 of a statewide system of airports landing fees, a statewide  
19 system of airports support charges, and joint use charges for  
20 the use of space shared by users, which fees and charges may  
21 vary among different classes of users such as foreign carriers,  
22 domestic carriers, inter-island carriers, air taxi operators,

1 helicopters, and such other classes as may be determined by the  
2 director, for the purpose of meeting the expenditures of the  
3 statewide system of airports set forth in section 261-5(a),  
4 which includes expenditures for capital improvement projects  
5 approved by the legislature.

6 In setting airports rates and charges, including landing  
7 fees, the director may enter into contracts, leases, licenses,  
8 and other agreements with aeronautical users of the statewide  
9 system of airports containing such terms, conditions, and  
10 provisions as the director deems advisable.

11 If the director has not entered into contracts, leases,  
12 licenses, and other agreements with any or fewer than all of the  
13 aeronautical users of the statewide system of airports prior to  
14 the expiration of an existing contract, lease, license, or  
15 agreement, the director shall set and impose rates, rentals,  
16 fees, and charges pursuant to this subsection without regard to  
17 the requirements of chapter 91; provided that a public  
18 informational hearing shall be held on the rates, rentals, fees,  
19 and charges.

20 The director shall develop rates, rentals, fees, and  
21 charges in accordance with a residual methodology so that the  
22 statewide system of airports shall be, and always remain, self-

1 sustaining. The rates, rentals, fees, and charges shall be set  
2 at such levels as to produce revenues which, together with  
3 aviation fuel taxes, shall be at least sufficient to meet the  
4 expenditures of the statewide system of airports set forth in  
5 section 261-5(a), including expenditures for capital improvement  
6 projects approved by the legislature, and to comply with  
7 covenants and agreements with holders of airport revenue bonds.

8 The director may develop and formulate methodology in  
9 setting the various rates, rentals, fees, and charges imposed  
10 and may determine usage of space, estimate landed weights, and  
11 apply such portion of nonaeronautical revenue deemed appropriate  
12 in determining the rates, rentals, fees, and charges applicable  
13 to aeronautical users of the statewide system of airports.

14 The rates, rentals, fees, and charges determined by the  
15 director in the manner set forth in this subsection shall be  
16 those charges payable by the aeronautical users for the periods  
17 immediately following the date of expiration of the existing  
18 contract, lease, license, or agreement. If fees are established  
19 pursuant to this section, the department shall prepare a  
20 detailed report on the circumstances and rates and charges that  
21 have been established, and shall submit the report to the

1 legislature no later than twenty days prior to the convening of  
2 the next regular session.

3       If a schedule of rates, rentals, fees, and charges  
4 developed by the director in accordance with this section is  
5 projected by the department to produce revenues which, together  
6 with aviation fuel taxes, will be in excess of the amount  
7 required to meet the expenditures of the statewide system of  
8 airports set forth in section 261-5(a), including expenditures  
9 for capital improvement projects approved by the legislature,  
10 and to comply with covenants and agreements with holders of  
11 airport revenue bonds, the department shall submit the schedule  
12 of rates, rentals, fees, and charges to the legislature prior to  
13 the convening of the next regular session of the legislature.  
14 Within forty-five days after the convening of the regular  
15 session, the legislature may disapprove any schedule of rates,  
16 rentals, fees, and charges required to be submitted to it by  
17 this section by concurrent resolution. If no action is taken by  
18 the legislature within the forty-five-day period the schedule of  
19 rates, rentals, fees, and charges shall be deemed approved. If  
20 the legislature disapproves the schedule within the forty-five-  
21 day period, the director shall develop a new schedule of rates,  
22 rentals, fees, and charges in accordance with this section

1 within seventy-five days of the disapproval. Pending the  
2 development of a new schedule of rates, rentals, fees, and  
3 charges, the schedule submitted to the legislature shall remain  
4 in force and effect.

5 Notwithstanding any other provision of law to the contrary,  
6 the department may waive landing fees and other aircraft charges  
7 established under this section at any airport owned or  
8 controlled by the State whenever:

- 9 (1) The governor declares a state of emergency; and  
10 (2) The department determines that the waiver of landing  
11 fees and other charges for the aircraft is consistent  
12 with assisting in the delivery of humanitarian relief  
13 to disaster-stricken areas of the [~~State-~~] state.

14 (f) To enforce the payment of any charges for repairs or  
15 improvements to, or storage or care of any personal property  
16 made or furnished by the department or its agent in connection  
17 with the operation of an airport or air navigation facility  
18 owned or operated by the department, the department shall have  
19 liens on the property, which shall be enforceable by it as  
20 provided by sections 507-18 to 507-22.

21 (g) The department from time to time may establish  
22 developmental rates for buildings and land areas used



1 exclusively for general aviation activities at rates not less  
2 than fifty per cent of the fair market rentals of the buildings  
3 and land areas and may restrict the extent of buildings and land  
4 areas to be [~~utilized.~~] used.

5 (h) Notwithstanding any laws or rules to the contrary, the  
6 department may establish, levy, assess, and collect rental motor  
7 vehicle customer facility charges which shall be paid to the  
8 department periodically as determined by the department. These  
9 charges shall be as reasonably necessary to pay for, or finance  
10 on a long-term basis where appropriate, the uses of the rental  
11 motor vehicle customer facility charges as set forth by the  
12 rental motor vehicle customer facility charge special fund in  
13 section 261-\_\_\_\_\_.

14 The rental motor vehicle customer facility charges shall be  
15 levied, assessed, and collected from all rental motor vehicle  
16 customers who benefit from the use of any type of rental motor  
17 vehicle facility or service provided by the department at a  
18 public airport.

19 All rental motor vehicle customer facility charges shall be  
20 collected by lessors as defined by section 437D-3 and who  
21 operate a car rental concession awarded by the department at a  
22 public airport; provided, however, customers of lessors, as

1 defined by section 437D-3, who do not operate a car rental  
2 concession at a public airport but whose customers benefit from  
3 the use of a car rental facility or service at such airport paid  
4 for by rental motor vehicle customer facility charges, shall  
5 collect from such car rental customers rental motor vehicle  
6 customer facility charges in an amount, as determined by the  
7 department, that represents a fair share of the cost and on-  
8 going expenses relating to such customers' use of such a  
9 facility or service. Any and all rental motor vehicle customer  
10 facility charges collected by such lessors shall be paid to the  
11 department.

12 Notwithstanding any law to the contrary, the department may  
13 contract the management, maintenance, and operations of such  
14 facility and related services with airport concessions that  
15 share in the use of a rental motor vehicle customer facility at  
16 a state airport, or their designee."

17 SECTION 7. Section 437D-8.4, Hawaii Revised Statutes, is  
18 amended by amending subsection (a) to read as follows:

19 "(a) Notwithstanding any law to the contrary, a lessor may  
20 visibly pass on to a lessee:

21 (1) The general excise tax attributable to the  
22 transaction;

- 1           (2) The vehicle license and registration fee and weight  
2           taxes, prorated at 1/365th of the annual vehicle  
3           license and registration fee and weight taxes actually  
4           paid on the particular vehicle being rented for each  
5           full or partial [~~twenty-four hour~~] twenty-four-hour  
6           rental day that the vehicle is rented; provided the  
7           total of all vehicle license and registration fees  
8           charged to all lessees shall not exceed the annual  
9           vehicle license and registration fee actually paid for  
10          the particular vehicle rented;
- 11          (3) The rental motor vehicle surcharge tax as provided in  
12          section 251-2 attributable to the transaction;
- 13          (4) The county surcharge on state tax under section  
14          46-16.8; provided that the lessor itemizes the tax for  
15          the lessee; and
- 16          (5) The rents or fees paid to the department of  
17          transportation under concession contracts[~~7~~]  
18          negotiated pursuant to chapter 102, [~~or~~] service  
19          permits[~~7~~] granted pursuant to title 19, Hawaii  
20          administrative rules, or rental motor vehicle customer  
21          facility charges established pursuant to 261-7;  
22          provided that:

- 1 (A) The rents or fees are limited to amounts that can  
2 be attributed to the proceeds of the particular  
3 transaction;
- 4 (B) The rents or fees shall not exceed the lessor's  
5 net payments to the department of transportation  
6 made under concession contract or service permit;
- 7 (C) The lessor submits to the department of  
8 transportation and the department of commerce and  
9 consumer affairs a statement, verified by a  
10 certified public accountant as correct, that  
11 reports the amounts of the rents or fees paid to  
12 the department of transportation pursuant to the  
13 applicable concession contract or service permit:  
14 (i) For all airport locations; and  
15 (ii) For each airport location;
- 16 (D) The lessor submits to the department of  
17 transportation and the department of commerce and  
18 consumer affairs a statement, verified by a  
19 certified public accountant as correct, that  
20 reports the amounts charged to lessees:  
21 (i) For all airport locations;  
22 (ii) For each airport location; and

1 (iii) For each lessee;

2 (E) The lessor includes in these reports the  
3 methodology used to determine the amount of fees  
4 charged to each lessee; and

5 (F) The lessor submits the above information to the  
6 department of transportation and the department  
7 of commerce and consumer affairs within three  
8 months of the end of the preceding annual  
9 accounting period or contract year as determined  
10 by the applicable concession agreement or service  
11 permit.

12 The respective departments, in their sole discretion,  
13 may extend the time to submit the statement required  
14 in this subsection. If the director determines that  
15 an examination of the lessor's information is  
16 inappropriate under this subsection and the lessor  
17 fails to correct the matter within ninety days, the  
18 director may conduct an examination and charge a  
19 lessor an examination fee based upon the cost per hour  
20 per examiner for evaluating, investigating, and  
21 verifying compliance with this subsection, as well as  
22 additional amounts for travel, per diem, mileage, and

1           other reasonable expenses incurred in connection with  
2           the examination, which shall relate solely to the  
3           requirements of this subsection, and which shall be  
4           billed by the departments as soon as feasible after  
5           the close of the examination. The cost per hour shall  
6           be \$40 or as may be established by rules adopted by  
7           the director. The lessor shall pay the amounts billed  
8           within thirty days following the billing. All moneys  
9           collected by the director shall be credited to the  
10          compliance resolution fund."

11          SECTION 8. Notwithstanding the provisions of section 6 of  
12          this Act, the department, as of September 1, 2008, shall levy,  
13          assess, and collect a rental motor vehicle customer facility  
14          charge of \$1.00 per day, or any portion of a day that a rental  
15          motor vehicle is rented or leased, by a rental motor vehicle  
16          concession where customers pick-up and return rental vehicles to  
17          a facility at a state airport as determined by the director.  
18          Moneys shall continue to be collected only until such time that  
19          the sum of \$25,000,000 is collected and deposited into the  
20          rental motor vehicle customer facility charge special fund. The  
21          provisions of this section shall not impair, limit, or restrict  
22          the department from levying, assessing, establishing, and

1 collecting rental motor vehicle customer facility charges as set  
2 forth in section 6 of this Act.

3 SECTION 9. There is appropriated out of the rental motor  
4 vehicle customer facility charge special fund established by  
5 section 261- , Hawaii Revised Statutes, the sum of \$7,000,000  
6 or so much thereof for fiscal year 2008-2009 as may be necessary  
7 for:

- 8 (1) The planning and design of rental motor vehicle  
9 customer facilities at state airports; and
- 10 (2) Improvement, pavement, construction, and fencing to an  
11 existing ground-level storage area shared by rental  
12 motor vehicle concessions at the state airport located  
13 in Kahului, Maui.

14 The sum appropriated shall be expended by the department of  
15 transportation for the purposes of this Act.

16 SECTION 10. Statutory material to be repealed is bracketed  
17 and stricken. New statutory material is underscored.

18 SECTION 11. This Act shall take effect on July 1, 2008.

SB 2365 Proposed HD1;  
Proposed Draft and Changes by Catrala  
Reflecting Latest Discussions  
With DOT and Majority of Industry Members  
Dated: April 1, 2008

**Report Title:**

Transportation; Airports

**Description:**

Authorizes the Department of Transportation to establish and collect rental motor vehicle customer facility charges. Creates a rental motor vehicle customer facility charge special fund. Establishes a \$1 daily charge on rentals at state airports. Makes an appropriation.



# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** MISCELLANEOUS, Rental motor vehicle customer facility charge

**BILL NUMBER:** SB 2365, Proposed HD-1

**INTRODUCED BY:** House Committee on Finance

**BRIEF SUMMARY:** Amends HRS section 261-7 to allow the department of transportation to establish levy, assess and collect rental motor vehicle customer facility charges each month. The charges may be of different amounts and collected from all rental motor vehicle persons or entities providing services to customers at a state airport and benefitting from the use of any facility or services paid for by the rental motor vehicle customer facility charges as determined by the director of transportation. Allows the department of transportation to contract the management, maintenance, and operations of the facility and related services with airport concessions that share in the use of a rental motor vehicle customer facility at a state airport or their designee.

Adds a new section to HRS chapter 261 to establish a rental motor vehicle customer facility charge special fund into which shall be deposited all proceeds from the car rental customer facility charge. Moneys in the fund shall be used for the enhancement, renovation, operation and maintenance of existing rental car facilities and development of new rental motor vehicle customer facilities at state airports, including acquisition and maintenance of property, acquisition of equipment for and operation of a unified shuttle bus system, consultant fees, and design, construction, operation, and maintenance of such facilities. No moneys shall be expended until a concession bid for rental motor vehicle concessions located at the airport as of July 1, 2008 is first advertised, bid upon, and awarded by the department; provided that moneys may be expended to plan, design, improve, enhance, or construct rental motor vehicle customer facilities to be shared by rental motor vehicle concessions at a state airport as determined by the director of transportation.

Allows the department of transportation on September 1, 2008, to levy, assess, and collect a rental motor vehicle customer facility charge of \$\_\_\_ per day or any portion of a day that a rental motor vehicle is rented or leased by a rental motor vehicle concession at a state airport as determined by the director of transportation. Moneys shall be collected until the sum of \$\_\_\_ million is collected and deposited into the rental motor vehicle customer facility charge special fund.

Appropriates \$\_\_\_ million from the rental motor vehicle customer facility charge special fund for the: (1) planning of rental motor vehicle customer facilities at state airports; and (2) improvement, pavement, construction, and fencing to an existing ground-level storage area shared by rental motor vehicle concessions at the state airport located in Kahului, Maui.

**EFFECTIVE DATE:** July 1, 2020

**STAFF COMMENTS:** This measure provides for the imposition of: (1) a rental motor vehicle customer

facility charge on all rental motor vehicle persons or entities providing services to customers at a state airport of an amount to be determined by the director of transportation; and (2) a rental motor vehicle customer facility charge of \$\_\_\_ per day on a rental motor vehicle that is rented or leased by a rental motor vehicle concession. These charges would be deposited into the proposed rental motor vehicle customer facility charge special fund to be used to develop, renovate, enhance, and maintain car rental facilities at state airports. Both of these proposed charges will, no doubt, be passed on to the customers renting the motor vehicles who are already being tapped to generate additional revenues for the state highway fund through the imposition of a rental motor vehicle and tour vehicle surcharge tax.

It should be noted that since the rental motor vehicle customer facility charge would be based on the number of cars rented, it would be dependent on the number of visitors coming to Hawaii that utilize the car rental companies. As visitor counts fluctuate, so will the amount of revenues in the fund which may make the rental motor vehicle customer facility charge an undependable source of revenue.

While the measure would authorize the director of transportation to set the rate of the rental motor vehicle customer facility charge that is imposed on rental motor vehicle persons or entities providing services to customers at a state airport facility, the amount could be increased anytime without any scrutiny or legislative intervention.

It should be noted that the department of transportation already collects \$40 million in user charges from the car rental industry. While some of that may have been used to improve the airports where the car rental companies maintain desks, one must ask why those funds cannot be used for the proposed car rental facility? After all, visitors have been paying those fees for years, it would seem only appropriate that some of those user fees be used for the proposed facility. If the development and/or renovation of car rental facilities in the state are deemed a high priority, it would be preferable to appropriate funds for such purposes which would ensure sufficient revenues to accomplish the goal of the proposed measure.

Digested 3/31/08



544 Ohohia Street  
Honolulu HI 96819

Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

April 1, 2008

RE: SB 2365 SD1, Proposed HD1 – Relating to Transportation

Honorable Chair Oshiro and Honorable Committee Members:

My name is Wayne Tanaka and I am the Vice President/General Manager of Enterprise Rent-A-Car Company of Hawaii. Enterprise Rent-A-Car currently has 25 rental locations within Hawaii.

Enterprise Rent-A-Car agrees that a rental car facility is needed, but is opposed to the Proposed HD1 in its present form for the following reasons:

1. **No defined project.** – The Department of Transportation would like to improve various airports and projects across the State of Hawaii. This bill does not identify any specific new rent-a-car Consolidated Facility. We are opposed to the collection of a Customer Facility Charge for a project or projects that have not been identified or defined. Before moving forward we believe that 1) an acceptable location should be defined, 2) a conceptual project design should be completed, and 3) a reasonable financing plan should be developed.
2. **Consolidated Facility Budget** - Currently there is no budget in place for this Consolidated Facility. A new consolidated facility is likely to be extremely expensive – costing several hundred millions of dollars not including the financing. In Seattle their planned consolidated facility has an estimated cost of \$413 million, the Miami estimated cost is \$400 million, and Atlanta's estimated cost is \$486 million dollars!

3. **Rulemaking Process** – This bill states the “department may establish a car rental customer facility charge by rule”. Does this mean the department can set any amount for this CFC fee? Would the rent-a-car companies have any input on the amount, length of the collection period, or what locations collect this fee? We would like to have a better understanding of this rulemaking process.
  
4. **Transfer of Funds** – We have concerns that the rent-a-car CFC money collected may be diverted to other projects not related to a new Consolidated Facility for rent-a-car companies at Hawaii Airports. It is our understanding that in the past, millions of dollars collected from our renters to improve the State Highways have been transferred out of the State Highway fund for other projects not related to our State Highways.
  
5. **Existing Facilities** – We feel strongly that existing facilities needing “improvement, enhancement, or renovation” should be paid for by the current tenant. It has been over 15 years since there has been a bid to operate on-site at many of the major Hawaii airports. Using CFC money collected to “improve, enhance, or renovate existing facilities” is not fair. CFC money collected should only be used to build a new Consolidated Facility for rent-a-car companies.

In closing, Enterprise Rent-A-Car is opposed to the introduction of this proposed CFC legislation for the 2008 legislative session. We are willing to continue to work in good faith with the DOT and the rent-a-car industry to address the concerns listed above.

Thank you for allowing us to share our concerns about the Proposed HD1 to SB 2365 SD1.



The Hertz Corporation  
Hawaii Area  
677 Ala Moana Blvd., Suite 916, Honolulu, HI 96813  
Phone: (808)529-6850 Fax: (808)529-6866

Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

Hearing: April 1, 2008 at 3:30 p.m., Rm 308

Re: S.B. No.: 2365, Proposed HD1 --- Relating to Transportation

Dear Chair Oshiro and Honorable Committee Members:

My name is Aaron Medina and I am the General Manager, Hawaii, for The Hertz Corporation.

Our company supports this bill and Catrala-Hawaii's position on this bill.

We support this bill which will in the public's best interest if it is passed. Many airports across the United States have CFC facilities funded by CFC charges.

This will result in improved customer services and benefits at no additional cost to the State. The DOT supports this bill along with a majority of the car rental industry.

You previously passed HB 2952 which was an earlier version of this bill. While this bill has some improvements, further changes will likely take place during conference deliberations and further discussions with members of the industry and the DOT.

Please keep this important bill alive so continuing discussions may take place. Thank you for allowing us to testify.



Honorable Marcus Oshiro, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

Hearing: April 1, 2008 at 3:30 p.m., Rm 308

Re: S.B. No.: 2365, Proposed HD1 --- Relating to Transportation

Dear Chair Oshiro and Honorable Committee Members:

My name is Garrick Higuchi and I am the Area Manager for Dollar Rent A Car and Thrifty Car Rental in Hawaii.

Our company supports this bill and Catrala-Hawaii's position on this bill because it will result in improved customer services and benefits at no additional cost to the State. The DOT supports this bill along with a majority of the major RAC companies.

You previously passed HB 2952, which was an earlier version of this bill. While this bill has some improvements, further changes will likely take place during conference deliberations and further discussions with members of the industry and the DOT.

Please keep this important bill alive so continuing discussions may take place. Thank you for allowing us to testify.

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